

AMENDED IN SENATE APRIL 14, 1999

SENATE BILL

No. 527

Introduced by Senator Speier

February 19, 1999

An act to add Article 5.5 (commencing with Section 11629.7) to Chapter 1 of Part 3 of Division 2 of the Insurance Code, relating to automobile insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 527, as amended, Speier. Automobile insurance: low-cost policies.

Existing law requires motorists to demonstrate financial responsibility by one of various means, including an automobile liability insurance policy. Existing law specifies minimum coverages for the policy. Existing law requires insurers to participate in a plan, known as the assigned risk plan, to provide automobile insurance to those otherwise unable to obtain coverage.

This bill would require insurers that participate in the assigned risk plan to also participate in a plan established by the Insurance Commissioner to offer a low-cost automobile insurance policy. The low-cost automobile insurance policy would be one of 2 types, either a preferred driver AA policy or a preferred driver A policy, depending upon the eligibility of the insured, as specified. Either type of low-cost policy would provide coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons, and \$3,000 for liability for damage to

property. Either type of policy would satisfy the financial responsibility laws.

The bill would provide that the preferred driver AA and the preferred driver A policies would be sold for unspecified annual premiums, to be adjusted, as specified.

This bill would require the court to remit to the county at least \$50 out of the state penalties imposed under a specified provision of the Penal Code for each conviction of failing to provide evidence of financial responsibility to a peace officer. It would, in turn, require the county to use that money to provide financial assistance, as specified, to CalWORKs program recipients to purchase automobile insurance that satisfies the financial responsibility laws, including, but not limited to, low-cost automobile insurance under these new provisions. By requiring counties to provide this financial assistance to CalWORKs recipients to purchase automobile insurance, this bill would impose a state-mandated local program.

The bill would set forth related provisions, including a provision requiring a policy applicant to certify, under penalty of ~~perjury a misdemeanor~~, the accuracy of certain documents supporting the person's application. By ~~expanding the scope of the crime of perjury creating a new crime~~, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Article 5.5 (commencing with Section
2 11629.7) is added to Chapter 1 of Part 3 of Division 2 of the
3 Insurance Code, to read:
4

Article 5.5. Low-Cost Automobile Insurance Policies

11629.7. As used in this article:

(a) “Low-cost automobile insurance policy” means either a preferred driver AA policy or a preferred driver A policy.

(b) “Preferred driver AA policy” means a policy of low-cost automobile insurance that has all of the following attributes:

(1) The policy covers only the person or persons named in the policy, and excludes any other person or persons who may use a vehicle covered thereunder.

(2) The policy affords coverage in the amount of ten thousand dollars (\$10,000) for bodily injury to, or death of, each person as a result of any one accident and, subject to that limit as to one person, the amount of twenty thousand dollars (\$20,000) for bodily injury to, or death of, all persons as a result of any one accident, and the amount of three thousand dollars (\$3,000) for damage to property of others as a result of any one accident.

(3) The policy provides coverage for a vehicle that is driven 14,000 miles per year or less, irrespective of the number of insured drivers under the policy.

(4) The initial annual premium for the policy is _____ dollars (\$____), which shall be payable in 12 equal monthly installments. The premium shall be revised every two years as described in Section 11629.77.

(c) “Preferred driver A policy” means a policy of low-cost automobile insurance that has all of the following attributes:

(1) The policy covers only the person or persons named in the policy, and excludes any other person or persons who may use a vehicle covered thereunder.

(2) The policy affords coverage in the amount of ten thousand dollars (\$10,000) for bodily injury to, or death of, each person as a result of any one accident and, subject to that limit as to one person, the amount of twenty thousand dollars (\$20,000) for bodily injury to, or death of, all persons as a result of any one accident, and the amount

1 of three thousand dollars (\$3,000) for damage to property
2 of others as a result of any one accident.

3 (3) The policy provides coverage for a vehicle that is
4 driven 14,000 miles per year or less, irrespective of the
5 number of insured drivers under the policy.

6 (4) The initial annual premium for the policy is
7 _____ dollars (\$____), which shall be payable in 12
8 equal monthly installments. The premium shall be
9 revised every two years as described in Section 11629.77.

10 11629.71. There is established, within the California
11 Assigned Risk Plan established under Section 11620, a
12 low-cost automobile insurance plan. The commissioner,
13 after a public hearing, shall approve or issue a reasonable
14 plan for the equitable apportionment, among insurers
15 required to participate in the plan established under
16 Section 11620, of persons eligible to purchase a low-cost
17 automobile insurance policy. The low-cost automobile
18 insurance plan shall be conducted in conjunction with the
19 plan established under Section 11620.

20 11629.72. A low-cost automobile insurance policy shall
21 only be available for purchase by persons who satisfy the
22 following eligibility requirements:

23 (a) To purchase a preferred driver AA policy, a person
24 shall meet all of the following eligibility requirements:

25 (1) The person shall be in a family with a gross annual
26 household income equal to or less than 200 percent of the
27 federal poverty level.

28 (2) The person shall have *continuously possessed a*
29 *valid driver's license for five years prior to the date of the*
30 *application for the policy and shall have no at-fault*
31 accidents in the previous five years.

32 (3) The person shall have no point violations in the
33 previous three years.

34 (4) The person shall have no felony or misdemeanor
35 convictions resulting from violations of the Vehicle Code
36 on his or her driving record.

37 (b) To purchase a preferred driver A policy, a person
38 shall meet all of the following eligibility requirements:



(1) The person shall be in a family with a gross annual household income equal to or less than 200 percent of the federal poverty level.

(2) The person shall have *continuously possessed a valid driver's license for five years prior to the date of the application for the policy and shall have* not more than one property-damage-only accident in which the driver was principally at fault in the previous five years.

(3) The person shall not have on record with the Department of Motor Vehicles, an at-fault accident involving bodily injury or death.

(4) The person shall not have more than one point for a moving violation in the previous three years.

(5) The person shall have no felony or misdemeanor convictions resulting from violations of the Vehicle Code on his or her driving record.

11629.73. (a) The applicant, in order to demonstrate eligibility to purchase a low-cost automobile insurance policy, shall present to a participating insurer or agent thereof at the time of applying for the policy, a copy of the applicant's most recent federal and state income tax return and a copy of his or her driving record from the Department of Motor Vehicles. The applicant shall ~~certify, under penalty of perjury, that the information contained in those documents and in the application for the policy, is correct to the best of the applicant's knowledge;~~ *certify, under penalty of a misdemeanor, that the representation made in those documents and in the application for the policy are true, correct, and contain no material omissions of fact to the best knowledge and belief of the applicant.*

(b) A participating insurer or agent thereof, upon receipt and review of an application and the supporting documents described in subdivision (a), shall certify that they have been reviewed and appear to be complete. The participating insurer or agent thereof shall then forward the application, supporting documents, applicant's certification, and insurer's or agent's certification to the plan established under Section 11620.

1 11629.74. Insurance agents or brokers shall be entitled
2 to a commission of no greater than twenty-five dollars
3 (\$25) upon the sale of a low-cost automobile insurance
4 policy. No other fees may be charged or collected by an
5 agent or broker in this regard.

6 11629.75. (a) A low-cost automobile insurance policy
7 shall be canceled or not renewed only for the following
8 reasons:

9 (1) Nonpayment of premium.

10 (2) Fraud or material misrepresentation affecting the
11 policy or the insured.

12 (3) A substantial increase in the hazard insured
13 against.

14 (4) The insured no longer meets the applicable
15 eligibility requirements.

16 (5) The insured vehicle, while being operated by a
17 driver other than the insured, is involved in an accident
18 resulting in damage to property, bodily injury, or death,
19 and the driver is determined to have been principally at
20 fault.

21 (b) A person whose policy has been canceled or not
22 renewed for either of the reasons described in paragraphs
23 (2) and (5) shall not be eligible to purchase another
24 low-cost automobile insurance policy for a period of five
25 years after that cancellation or nonrenewal.

26 11629.76. A low-cost automobile insurance policy
27 shall, notwithstanding the coverage amounts required by
28 Section 16056 of the Vehicle Code, satisfy the financial
29 responsibility requirements of Section 16021 of the
30 Vehicle Code.

31 11629.77. (a) The annual premiums charged for a
32 low-cost automobile insurance policy shall be revised
33 every two years to reflect changes in the consumer price
34 index and to reflect changes in historical risk and loss
35 patterns of like policyholders.

36 (b) In this regard, any rating plan established to
37 determine historical risk and loss patterns, which uses a
38 factor for frequency of accidents and a factor for severity
39 of losses, shall comply with the following requirements:

1 (1) When calculating the factor for frequency of
2 accidents for preferred driver AA policyholders, only the
3 actual or expected number of claims from accidents
4 caused by current or expected preferred driver AA
5 policyholders in the state shall be used. In addition, the
6 number of “earned premium years” for those purposes
7 shall be calculated as the number of earned premium
8 years for those policyholders only.

9 (2) When calculating the factor for frequency of
10 accidents for preferred driver A policyholders, only the
11 actual or expected number of claims from accidents
12 caused by current or expected preferred driver A
13 policyholders in the state shall be used. In addition, the
14 number of “earned premium years” for those purposes
15 shall be calculated as the number of earned premium
16 years for those policyholders only.

17 (3) When calculating the factor for severity of losses
18 for preferred driver AA policyholders, only the actual or
19 expected severity of losses incurred or expected to be
20 incurred by preferred driver AA policyholders in the
21 state shall be used.

22 (4) When calculating the factor for severity of losses
23 for preferred driver A policyholders, only the actual or
24 expected severity of losses incurred or expected to be
25 incurred by preferred driver A policyholders in the state
26 shall be used.

27 11629.78. Notwithstanding any law to the contrary, the
28 court shall remit to the county at least fifty dollars (\$50)
29 out of the state penalties imposed under Section 1464 of
30 the Penal Code for each conviction of a violation of
31 Section 16028 of the Vehicle Code. The county shall, in
32 turn, use that money to provide financial assistance to
33 CalWORKs program recipients of up to sixty dollars (\$60)
34 per year to purchase any automobile insurance policy
35 that meets the financial responsibility requirements of
36 Section 16021 of the Vehicle Code, including, but not
37 limited to, a low-cost automobile insurance policy.

38 11629.79. The commissioner may adopt rules
39 necessary to implement this article.

1 SEC. 2. No reimbursement is required by this act
2 pursuant to Section 6 of Article XIII B of the California
3 Constitution for the following reasons:

4 (a) Certain costs that may be incurred by a local
5 agency or school district will be incurred because this act
6 creates a new crime or infraction, eliminates a crime or
7 infraction, or changes the penalty for a crime or
8 infraction, within the meaning of Section 17556 of the
9 Government Code, or changes the definition of a crime
10 within the meaning of Section 6 of Article XIII B of the
11 California Constitution.

12 (b) Certain other costs that may be incurred by a local
13 agency or school district will be offset because a local
14 agency or school district has the authority to levy service
15 charges, fees, or assessments sufficient to pay for the
16 program or level of service mandated by this act, within
17 the meaning of Section 17556 of the Government Code.

